2.5 Monday

Market comfort level and Background:

US had a big drop last Friday. US valuation is high but china’s PE is lower.

Hold position steady until end of Apr to realize the first quarter advantage.

Need more specialized china trading tool.

Live processing

Entrance and exit indication

Pnl.

Tradable highlight in red.

HO and DD.

Wtd trade pnl.

Mtd trade pnl.

Ytd trade pnl.

Ytd solid down, pm down. You need wtd data.

First: generate stock list:

With R:

1. Historical high this year

2 Strategies:

1. Big stocks
2. Recent new highs.

2.6

US market crashed again.

Valuation is high for US and it has been rising for too long.

In the short term, stocks are volatile but in the long run it outperforms all asset classes.

China big caps opened down 1.7% and still managed to close up, showing the preference to rally and the relative low valuation of chinese stocks are good to hold.

Hold position steady, when US stops correction China will rise faster.

Margin position:

Interest rate is 6.9%.

Today trading plan:

Start building position on banks.

Futs: leave them here.

10:00

Put some position here (600k) on banks. Keep until end of Apr for the first quarter.

China in selloff mode mostly due to global market.

Once US recovers China will recover fast.

Ytd, could see that China recovered all of the pre-open losses from the US.

2 trading weeks until the end of Feb with CNY in between.

Close:

Small caps face continued liquidation.

Usually January undergoes pressure but shifted to Feb this time.

2.7

US started to rebound.

No need to do anything on A shares.

PM:

Market crashed intraday.

Markets opened down 2% on two days and opened up 2%. The US is impacting China too much.

High volatility intraday.

Keep positions still, wait until the volatility subsides.

Close:

Market further crashed.

Nothing to do here. Position should be decent at this level due to a major correction which just happened. Holding here for a few months should yield positive return.

Cease all trading (buying and selling) here. Just roll futures at the end of this month.

18:09

Since Jan 29, 8 days cost 520k. However, futures only reset 5% from highs. The portfolio isn’t very robust to setbacks. Research indicates that the first few months should be relatively strong.

Current ptf: now it is an attractive level to hold because the adjustment has been fierce. The more ferocious the adjustment the better. This adjustment is US led. A shares are still not overpriced. Buy where others fiercely sell.

When market volatility goes up, stop trading, let it drop and let people cut, give it 1~2 weeks or so. There will be people that buy too early and people that cut. Until sufficient risk has changed hands, you can go in. These periods are highly volatile, sharpe is low and emotional stress is high. When trading difficulty is high, don’t trade.

Or you can choose not to do anything at all.

The worst thing you can do is buy too early on a downtrend. Wait for that trend to stabilize and the selling to deplete.

2.8

The rally in Jan gave no space for entrance. For all of the rally I had 2 lots in place. When the adjustment happened I had 46 lots.

People get overly optimistic at the top and pessimistic at the bottom.

When there was an entrance point, the rally was already over.

Most positions on margin are losing around 10% from their January highs.

The key is to trade constant position, this way you are not undersized during ups and not oversized during downs.

Choose a comfortable trend position.

Position accumulation was too aggressive on futures without having sold any. Caught up in a correction trend. Now it’s hard to add anything at this position.

Atmosphere today: Fidgety, nervous, uncertainty

Trading plan today: hold position.

Monitoring frequency: open and close.

Holding period: long term

When losing:

Hold position until recovery. (That’s why positions should have solid earnings and always be good to hold long term)

Do not add position.

When gaining:

Can do close trading.

XIV:

This is short tail risk. For any tail event, this thing gets knocked out.

This is not robust to tail risk. 100% and 200% rise is possible for VIX and ETN would be liquidated for any VIX movement > 100%.

Short term trading 套路 from this Jan:

Push stocks/index high, fast, leaving no space for buying unless you want to buy at a short term high.

Takes a break, seems like a good place to buy, but drops.

Long term trend pnl adds to 0. Taking risk on the trend is meaningless in the long run.

Way to combat this:

1. Constant position, no adding on uptrend (avoid holding large position
2. No reducing on downtrend

On the downtrend, you can trade pmcl and PD trading.

Avoid being stuck in a big position. This is quite disabling.

Futures dropped 1000 point in 1 day…

14:44

Took a lot of hit on trend pnl on leverage, market has shredded the position to pieces.

That’s why position is usually low after a fallout and high after a rally. It should be the opposite.

Anyway, going forward,

1. Lighter position on XU, big position is causing stress. Can drop thousand points in 2 days. I don’t need this. Ptf cannot handle swings of this size.
2. Currently can’t trade intraday, position stuck.
3. Let Feb expire with the current position as a natural cut. Thankfully there are only 10 trading days this month. The sooner it expires the better. The position is going out of control. 2 days wiped out the earnings over 2 years. When position is high, it is causing more stress and harder to endure the ups and downs.
4. Cut out leverage – A share is shit in the long run, leverage makes things worse. It drops worse than the SPX and goes down less.
5. Trade things above 60 DMA.
6. Trade when things are stable. No external impact, no crazy open ups and downs.
7. No trading when internally or externally things don't feel smooth.
8. Futs: short term. Stocks: longer term.
9. Futures : only trade short position. Stock/margin use long term position.

Long term stable solution:

1. Adjust stocks based on sharpe. Hold long term. Minimize position changes.
2. Futures: prefer short term holding. Long term holding ok as long as doesn’t cause stress.

After market: Trend and overnight pnl cost 640k and owed pnl costs 130k. Overall down -760k.

20% of ptf in one week, index is down 10%. Some de-leveraging thoughts:

Risk is pretty high with leverage. Notice that going forward: future used to trade short term while stock ptf is used for long term. Markets can be volatile in the short run and wipe leverage out easily.

Going forward you should manage leverage more carefully.

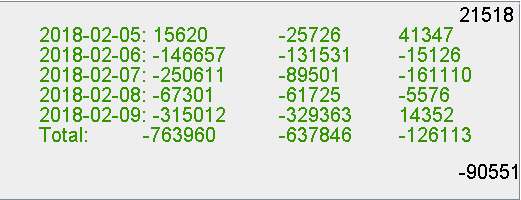
Fut: let feb expire and build on march more carefully. If losing on trade pnl stop trading. Build more slowly.

Stock: Nothing to do. Hold here.

Crash control needs to be done better.

Only trade when index above 60 DMA. Otherwise hold, don’t move. Every month start future building from new, build slowly, few lots at one time. Take less risk. Don’t be knocked out with one blow. Aim at long term survival.

When volatility gets big, don’t add position, wait until things quiet down.



Stock cost -275k.

Fut cost -600k.